



TFSA Retirement Fund: Is This the Right Time to Buy TD (TSX:TD)?

Description

Among the top Canadian banks, [Toronto-Dominion Bank](#) ([TSX:TD](#))([NYSE:TD](#)) is one of the strongest names to consider for a TFSA portfolio. But the current economic crisis has created doubts in the minds of investors about the near-term outlook for Canadian lenders, and TD stock is no exception.

For some investors, a bullish case about Canada's top banking stocks has become questionable since the COVID-19-induced recession hit our economy.

The argument is that this is not a good time for TFSA investors to buy banks, as they are the first to feel the negative impact of an economic slowdown.

That argument certainly carries some weight. Some of the top borrowers of these banks, such as energy and real estate companies, are under pressure after the sudden halt in economic activity.

If that situation persists, these lenders will face increasing defaults, debt restructuring, and slowing lending activity.

Will TD stock rebound quickly?

The other threat for these [top banking stocks](#) comes from a persistently low interest rate environment. In that situation, banks get a big hit on their lending portfolios, as margins get squeezed.

According to TD's own analysis, individuals and businesses should be able to bounce back relatively quickly from this crisis, as it stems from a health problem, rather than the deep-seated economic issues responsible for most recessions.

TD's model shows the North American economy growing by the third or fourth quarter this year and back to pre-crisis levels early in 2021.

TD has the largest exposure to the United States among the top Canadian banks. It generates about 30% of its net income from U.S. retail operations. The bank also has a 42% ownership stake in TD Ameritrade. Following its aggressive growth in the United States during the past decade, TD now runs more branches south of the border than it does in Canada.

More provisioning for bad loans

In the short run, it would be naive to think that TD will avoid a hit to its earnings and sales. Going forward, we should see more provisioning for bad loans, continued controls on spending, and a possible cut in dividend increases.

These risks are very much reflected in the stock price of TD. After falling more than 20% this year, TD is now trading around \$56 a share. It's hard to say whether the lender has seen the worst of this down cycle as its recovery very much depends on how quickly the world is able to contain the virus.

That said, TD is one of the strongest among the top Canadian lenders and it will be able to emerge from this crisis quickly. After the decline, TD stock now yields more than 5%, which is one of the best yields in recent times.

Bottom line

For a TFSA portfolio, TD is a great stock to hold over the long run. It will slowly regain its lost ground as the economy recovers from this recession and will help generate strong income for your portfolio.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:TD (The Toronto-Dominion Bank)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Investing

Date

2025/08/25

Date Created

2020/05/22

Author

hanwar

default watermark

default watermark